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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of Washington by:

American Freedom International, Jim Lake,
their agents and employees,
Respondents

SDO - 37 - 00

SUMMARY ORDER TO CEASE AND DESIST
Case No. 99-03-087

THE STATE OF WASHINGTON TO: American Freedom International
26137 104th SE Ste 197
Kent, WA 98031

James E. Lake
2911 Sherman St
Port Townsend, WA

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STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, American Freedom International and James E. Lake, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

I.

American Freedom International is a Washington business entity with a principal business address of 26137 104th Ave SE Ste 197, Kent, WA 98031. American Freedom International is not incorporated in

SUMMARY ORDER TO CEASE AND
DESIST

1 Washington nor has it qualified to do business as a foreign corporation in Washington. American Freedom
2 International's address is a post office box at PostNet, a mailbox service.

3 II.

4 James E. Lake is president and chief executive officer of American Freedom International.

5 III.

6 American Freedom International is in the business of reselling long distance telephone services through a
7 multilevel marketing organization. In late August 1998, Jim Lake, as president and chief executive officer of
8 American Freedom International, sent a letter to the customers, distributors, and representatives, offering them
9 an opportunity to purchase stock in American Freedom International at \$2.50 a share. The letter said that the
10 stock of American Freedom International would go public at \$5 a share within 30 days, allowing purchasers in
11 the members only offering to double their money in a short time. The letter says that the company was
12 anticipating phenomenal growth in the next 90 days and expected that growth to be reflected in the stock price.
13 The letter also stated that friends or family members of American Freedom International members could
14 participate in the members only offering if the friends or family members become customers of American
15 Freedom International. The proceeds of the sales of stock to members, the letter said, would be reinvested in
16 the company to upgrade its systems, develop marketing materials, and make strategic investments. The letter
17 included instructions on how to purchase stock. Purchasers were instructed to send their checks to American
18 Security Transfer Agency at a post office box on Bainbridge Island or to wire funds to ASTA Capital Corp.'s
19 account at Wells Fargo Bank. Lake's letter was not accompanied by any additional written materials, such as
20 financial statements or other information on the financial condition of the company, information on the prior
21 business experience of Lake, or information concerning the risks of investing in a startup company. It did not
22 explain that the only efforts American Freedom International had made to take its stock public were to
23 negotiate with John Wachsmith of ASTA Capital to purchase the outstanding stock in a shell corporation or
24 that American Freedom International had not completed the purchase of the stock in the shell corporation. It

1 did not explain that funds invested would be deposited in an account maintained by John Wachsmith for
2 various business and household purposes and would not be held in an escrow or trust account.

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IV.

At least forty persons responded to American Freedom International's offer. They collectively invested about \$80,000. About \$23,000 of the funds from investors were remitted by ASTA to Lake. None of the funds were deposited to any bank account held in the name of American Freedom International. No shares were ever issued to the investors. American Freedom International never "went public." It never received acquired the shares of any shell corporation from ASTA. The Securities Administrator has already entered another administrative order, SDO 11-00, against ASTA Capital Corp., American Securities Transfer Agency, and John Wachsmith in connection with their roles in the American Freedom International offering.

V.

American Freedom International is not currently registered to sell its securities in the state of Washington and has not previously been so registered.

VI.

The Securities Administrator finds that the continued offering of American Freedom International stock in the manner described in Tentative Finding of Fact III presents a threat to the investing public.

Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

I.

The offer and/or sale of American Freedom International stock described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12).

II.

The offer and/or sale of said securities is in violation of RCW 21.20.140 because no registration or for such offer and/or sale is on file with the Securities Administrator, state of Washington.

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III.

The offer and/or sale of said securities was made in violation of RCW 21.20.010 because it contained misleading statements of material fact including that the company was about to go public, that the proceeds of the offering would be invested in the company, and that investors could expect to double their money in a month, as described in Tentative Findings of Fact Paragraphs III and IV .

V.

The Securities Administrator finds that an emergency exists, that the continued violations of RCW 21.20.010 and RCW 21.20. constitutes a threat to the investing public, and that a summary order to cease and desist from those violations is in the public interest and necessary for the protection of the investing public.

SUMMARY ORDER

Based on the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED That respondents American Freedom International and James E. Lake, their agents and employees each cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.140, the section of the Securities Act of Washington requiring registration.

It is further SUMMARILY ORDERED that respondents, American Freedom International and James E. Lake, their agents, and employees each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

AUTHORITY AND PROCEDURE

This Order is entered pursuant to the provisions of RCW 21.20.390, and is subject to the provisions of Chapter 34.05 RCW. The respondents, American Freedom International and James E. Lake, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

1 If a respondent does not request a hearing, the Securities Administrator intends to adopt the above
2 Tentative Findings of Fact and Conclusions of Law as final and make the summary order to cease and desist
3 permanent as to that respondent.

4 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

5 DATED this _____ day of April, 2000.

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7 _____
8 DEBORAH R. BORTNER
9 Securities Administrator

10 Approved By:

Presented by:

11 _____
12 Michael E. Stevenson
13 Chief of Compliance

14 _____
15 Suzanne E. Sarason
16 Senior Enforcement Attorney

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25 SUMMARY ORDER TO CEASE AND
26 DESIST